

GRAND VALLEY FIRE PROTECTION DISTRICT

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2016



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FINANCIAL STATEMENTS – 2016

GRAND VALLEY FIRE PROTECTION DISTRICT

2016 BOARD OF DIRECTORS

Kevin Whelan, President

Michelle Foster, Vice President

William Nelson, Secretary/Treasurer

Ted Anderson, Director

Keith Lammey, Director

ADMINISTRATIVE STAFF

Barbara (Kim) Reeves, Administrative Specialist

David A. Blair, Fire Chief

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grand Valley Fire Protection District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Valley Fire Protection District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Valley Fire Protection District, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of contributions – Volunteer Firefighters' pension plan, schedule of changes in net pension liability (asset) and related ratios – Volunteer Firefighters' pension plan, schedule of the District's proportionate share of the net pension liability – Statewide FPPA pension plan, Schedule of the District's Contributions – Statewide FPPA Pension Plan, schedule of the District's proportionate share of the net pension liability – PERA pension plan, and schedule of the District's contributions – PERA pension plan on pages 3-6 and 39-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Valley Fire Protection District's basic financial statements. The schedule of General Fund operating expenditures is not a required part of the basic financial statements.

The schedule of General Fund operating expenditures has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Calo CPA Services, PC

Rangely, Colorado
June 19, 2017

MANAGEMENT DISCUSSION & ANALYSIS

The discussion and analysis of the Grand Valley Fire Protection District's (the "District") financial performance provides readers with an overall review of the financial activities of the District for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$21,135,569 at December 31, 2016.
- Total District's cash and investments increased by \$1,172,963 or 22 percent from 2015.
- The December 31, 2016 General fund balance is \$941,218 more than the previous year. The total fund balance is 184 percent of 2016 General Fund operating expenditures.

USING THIS ANNUAL REPORT

This Annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the District as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at the District's specific financial conditions.

The Statement of Net Position and Statement of Activities provides information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those assets. The Statement of Activities shows a net (expense) revenue and changes to net position related to each department of the District. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

OVERVIEW OF THE DISTRICT'S FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. The Statement of Net Position and Statement of Activities include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the year's revenues and expenses regardless of when the cash was received or paid.

These two statements report the District's net position and the changes in those positions. This change in position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. However, in evaluating the overall position of the District, non-financial information such as changes in the District's tax base and the condition of District capital assets will also need to be evaluated.

In the Statement of Net Position and Statement of Activities, the District's activities are reported as Governmental Activities.

Fund Financial Statements

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 37 of this report.

Budgetary Comparisons. The District adopts an annual appropriated budget for the General Fund and Capital Projects Fund. A budgetary comparison statement has been provided for the General Fund on page 39 through 40 and for the Capital Projects Fund on pages 41 through 42.

REPORTING THE DISTRICT AS A WHOLE

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following table provides a summary of the District's net position for 2015 and 2016.

	Governmental Activities	
	2015	2016
Assets		
Current and other assets	\$ 11,736,906	\$ 10,641,384
Capital assets	12,846,508	12,301,090
Total assets	<u>24,583,414</u>	<u>22,942,474</u>
Deferred Outflows of Resources	<u>145,398</u>	<u>613,776</u>
Liabilities		
Current and other liabilities	124,926	139,682
Noncurrent liabilities	105,112	131,966
Total Liabilities	<u>280,817</u>	<u>271,648</u>
Deferred Inflows of Resources	<u>4,093,228</u>	<u>2,149,033</u>
Net Position		
Net investment in capital assets	12,846,508	12,301,090
Restricted	122,544	135,534
Unrestricted	<u>7,385,715</u>	<u>8,698,945</u>
Total net position	<u>\$ 20,354,767</u>	<u>\$ 21,135,569</u>

A significant portion of the District's assets represents unrestricted net position of \$8,698,945 which may be used to meet the ongoing obligations to patrons and creditors.

Another significant portion of the District's net position reflects its investment in capital assets. These assets include land, buildings, and equipment. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

An additional \$135,534 of the District's net position represents resources that are subject to external restrictions on how they may be used. This is the TABOR emergency reserve.

The following table indicates the changes in net position.

	Governmental Activities	
	2015	2016
Revenues:		
Program revenues:		
Charge for services	\$ 186,779	\$ 221,455
Capital grants and contributions	4,125	92,367
General revenues:		
General property taxes	3,676,832	4,083,347
Specific ownership tax	210,487	196,961
Investment earnings	4,441	6,119
Other	2,185	29,893
Total revenues	<u>4,084,849</u>	<u>4,630,142</u>
Expenses:		
Administration	2,926,550	2,992,885
Firefighting & prevention	591,167	510,390
Medical services	385,380	346,065
Total expenses	<u>3,903,097</u>	<u>3,849,340</u>
Increase (decrease) in net position	<u>\$ 181,752</u>	<u>\$ 780,802</u>

Governmental Activities. Governmental activities increased the District's net position by \$780,802 in 2016. Key elements of this increase are as follows:

The District's property tax revenues were up \$406,515 from 2015.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds. Information about the District's governmental funds begins on page 11. These funds are accounted for using the modified accrual basis of accounting.

As of December 31, 2016, the total fund balances of the District's governmental funds were \$6,540,582. Approximately 36 percent of this consists of unassigned fund balance, which is available as working capital and for current spending in accordance with the purposes of the District. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes: (1) a state-Constitution mandated emergency reserve (\$135,534); (2) assigned for capital projects (\$470,551); and (3) assigned for future operating expenses (\$3,562,814). The District had Governmental revenues of \$4,526,229, other financing sources of \$103,913, and expenditures of \$3,421,901.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes.

2016 General Fund Budget

	<u>Original Budget</u>	<u>Amend- ments</u>	<u>Final Budget</u>	<u>Actual</u>
Beginning Fund Balance	\$ 4,983,456	\$ -	\$ 4,983,456	\$ 5,128,813
Revenue and other financing sources	4,402,074	-	4,402,074	4,517,798
Expenditures and other financing uses	<u>(4,195,800)</u>	-	<u>(4,195,800)</u>	<u>(3,576,580)</u>
Ending Fund Balance	<u>\$ 5,189,730</u>	<u>\$ -</u>	<u>\$ 5,189,730</u>	<u>\$ 6,070,031</u>

Actual expenditures and other financing uses were under budget by \$619,220. The difference includes capital outlay and administration expenditures being under budget by \$438,090 and \$230,747, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its governmental activities as of December 31, 2016 totaled \$12,301,090 (net of accumulated depreciation). This investment includes all land, buildings, and equipment.

A major capital asset event during the current fiscal year included an expenditure of \$43,677 for a 2016 F350 truck and \$27,124 for diesel filter systems.

The District uses the straight-line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated.

Long-term Debt. The District has no long-term debt.

ECONOMIC FACTORS AND OTHER MATTERS

Other Matters. The following factors are expected to have a significant effect on the District's financial position and results of operations and were taken into account in developing the 2017 budget:

- A decrease of \$1,930,850 in anticipated general property tax collection for 2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, 0124 Stone Quarry Road, Parachute, CO 81635.

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FINANCIAL STATEMENTS

GRAND VALLEY FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 658,214
Investments	2,261,258
Accounts receivable, net of uncollectible of \$45,709	53,436
Property taxes receivable	2,142,207
Prepaid expense	9,008
Restricted cash	3,698,348
Noncurrent assets	
Capital assets, nondepreciable	811,287
Capital assets, net	11,489,803
Net pension asset - FPPA	4,096
Net pension asset - volunteer fire	1,814,817
TOTAL ASSETS	<u>22,942,474</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	439,451
Deferred outflows related to volunteer fire pensions	174,325
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>613,776</u>
LIABILITIES	
Accounts payable	18,037
Accrued liabilities	20,802
Compensated absences	100,843
Noncurrent liabilities	
Net pension liability - PERA	131,966
TOTAL LIABILITIES	<u>271,648</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue - property taxes	2,142,207
Deferred inflows related to pensions	6,826
TOTAL DEFERRED INFLOW OF RESOURCES	<u>2,149,033</u>
NET POSITION	
Net investment in capital assets	12,301,090
Restricted for TABOR emergencies	135,534
Unrestricted	8,698,945
TOTAL NET POSITION	<u>\$ 21,135,569</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

GRAND VALLEY FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

		<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities				
Administration	\$ 2,992,885	\$ -	\$ -	\$ (2,992,885)
Firefighting & prevention	510,390	-	92,367	(418,023)
Medical services	<u>346,065</u>	<u>221,455</u>	<u>-</u>	<u>(124,610)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 3,849,340</u>	<u>\$ 221,455</u>	<u>\$ 92,367</u>	<u>(3,535,518)</u>
General revenues:				
Property taxes				4,083,347
Specific ownership taxes				196,961
Investment earnings				6,119
Gain on sale of capital assets				11,546
Other income				<u>18,347</u>
Total General revenues				<u>4,316,320</u>
Change in net position				780,802
Net position - beginning				<u>20,354,767</u>
Net position - ending				<u><u>\$ 21,135,569</u></u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

GRAND VALLEY FIRE PROTECTION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 617,044	\$ 9,353	\$ 626,397
Cash with county	31,817	-	31,817
Investments	1,800,060	461,198	2,261,258
Accounts receivable, net of estimated uncollectible of \$45,709	53,436	-	53,436
Property taxes receivable	2,142,207	-	2,142,207
Prepaid expenses	9,008	-	9,008
Restricted investments	3,698,348	-	3,698,348
TOTAL ASSETS	<u>\$ 8,351,920</u>	<u>\$ 470,551</u>	<u>\$ 8,822,471</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 18,037	\$ -	\$ 18,037
Accrued liabilities	20,802	-	20,802
Compensated absences	100,843	-	100,843
TOTAL LIABILITIES	<u>139,682</u>	<u>-</u>	<u>139,682</u>
 DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - property taxes	2,142,207	-	2,142,207
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,142,207</u>	<u>-</u>	<u>2,142,207</u>
 FUND EQUITY			
Fund Balance			
Restricted for:			
TABOR emergencies	135,534	-	135,534
Assigned for:			
Capital projects	-	470,551	470,551
Future operations	3,562,814	-	3,562,814
Unassigned	2,371,683	-	2,371,683
TOTAL FUND EQUITY	<u>6,070,031</u>	<u>470,551</u>	<u>6,540,582</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	 <u>\$ 8,351,920</u>	 <u>\$ 470,551</u>	 <u>\$ 8,822,471</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

GRAND VALLEY FIRE PROTECTION DISTRICT

RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2016

Balance sheet - total fund balances		\$ 6,540,582
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.		12,301,090
Long-term assets and liabilities, including net pension assets and liabilities, are not due, payable or receivable in the current period and, therefore, are not reported in the funds.		
Net pension assets	1,818,913	
Net pension liability	<u>(131,966)</u>	
Net pension assets (liability)		1,686,947
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	613,776	
Deferred inflows of resources related to pensions	<u>(6,826)</u>	
Net deferred outflows (inflows)		<u>606,950</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 21,135,569</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

GRAND VALLEY FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 4,280,308	\$ -	\$ 4,280,308
Interest	6,001	118	6,119
User charges	221,455	-	221,455
Other	<u>10,034</u>	<u>8,313</u>	<u>18,347</u>
TOTAL REVENUES	<u>4,517,798</u>	<u>8,431</u>	<u>4,526,229</u>
 EXPENDITURES			
Administration	2,866,253	1,644	2,867,897
Firefighting	55,945	-	55,945
Fire prevention	17,719	-	17,719
Training	63,047	-	63,047
Communications	1,961	-	1,961
Repairs	115,146	-	115,146
Medical services	86,382	-	86,382
Stations, buildings and grounds	95,717	-	95,717
Capital outlay	<u>74,410</u>	<u>43,677</u>	<u>118,087</u>
TOTAL EXPENDITURES	<u>3,376,580</u>	<u>45,321</u>	<u>3,421,901</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,141,218</u>	<u>(36,890)</u>	<u>1,104,328</u>
 OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	11,546	11,546
Capital grant	-	92,367	92,367
Transfers in	-	200,000	200,000
Transfers out	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(200,000)</u>	<u>303,913</u>	<u>103,913</u>
 EXCESS OF REVENUES OVER (UNDER) EXPEND- ITURES AND OTHER FINANCING USES	941,218	267,023	1,208,241
 FUND BALANCE, BEGINNING OF YEAR	<u>5,128,813</u>	<u>203,528</u>	<u>5,332,341</u>
 FUND BALANCE, END OF YEAR	<u><u>\$ 6,070,031</u></u>	<u><u>\$ 470,551</u></u>	<u><u>\$ 6,540,582</u></u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

GRAND VALLEY FIRE PROTECTION DISTRICT

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016**

Net change in fund balances - total governmental funds	\$ 1,208,241
Amounts reported for governmental activities in the statement of net activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$663,506) exceeded capital outlay (\$118,087) in the current period.	(545,419)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension (expense) income.	<u>117,980</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 780,802</u></u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Grand Valley Fire Protection District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and reporting principles. The more significant of the District's accounting policies are described below.

A. Financial Reporting Entity

The District is governed by an elected five member Board of Directors. No additional separate government units, agencies, or nonprofit corporations are included in the financial statements of the District as component units. Component units are legally separate entities for which the District is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on the District.

The District provides protection of life and property from fire, including fire prevention and fire code enforcement, and emergency medical assistance to the Town of Parachute, Colorado, and the community of Battlement Mesa, Colorado and surrounding areas.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately for business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement focus, basis of accounting, and financial statement presentation, continued

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

General Fund

The General Fund is the District's general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. The major revenue sources are local property taxes and charges for services. Expenditures include all costs associated with the daily operations of the District.

Capital Projects Fund

The Capital Projects Fund is the District's capital outlay fund. The major revenue sources are interest earned and transfers from the General Fund. Expenditures include all costs for the purchase of capital items by the District.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

The District's Board of Directors follow these procedures in establishing the budgetary data reflected in the financial statements:

Prior to October 15, the Fire Chief submits to the District's Board of Directors a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain the taxpayers' comments.

Prior to December 15, the budget is legally enacted through passage of a resolution.

Formal budgetary integration is employed as a management control device during the year.

A budget is adopted for the General Fund, Capital Projects Fund, and Fiduciary Fund. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Appropriations lapse at the end of each calendar year.

The District may authorize supplemental appropriations during the year. No supplemental appropriations were made during the year.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Property Taxes

Property taxes are levied on December 22 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in full by June 15 if paid in installments, or April 30 with a single payment. Taxes are delinquent as of June 16. If the taxes are not paid within subsequent statutory periods, the property will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, in that the District's experience indicates that all material amounts will be collected and paid to the District.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, trails, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets have been capitalized on a prospective basis, from 2004. Infrastructure prior to 2004 will not be capitalized. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	7-10
Fire vehicles	10-20
Ambulances	15
Equipment	5-20

G. Encumbrances

The District does not use encumbrance accounting. Accordingly, no encumbrances have been recorded in the financial statements.

H. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - CASH AND INVESTMENTS

The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral included municipal bonds, U.S. government securities, mortgage, and deeds of trust.

State statutes authorized the District to invest in obligation of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, Local Government, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

The District's investment policy is not more restrictive than State statutes. The District's investments are concentrated in local government investment pools, U.S. government and agency securities, and bank CDs.

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value arising from increasing interest rates.

Summary of Cash

Cash and Cash Equivalents	
Cash deposits in bank – General Fund	\$ 6,114,807
Cash deposits in bank – Capital Projects Fund	470,551
Cash on hand	645
Cash with County	<u>31,817</u>
Total cash and investments	<u>\$ 6,617,820</u>

NOTE 3 - PROPERTY TAXES

Property taxes for 2016, collectible in 2017, are certified by the Board of Directors by December 15, 2016. Property taxes attached as an enforceable lien on January 1, 2017, are due in total April 30, 2017, or in equal installments February 28, 2017 and June 15, 2017, at the option of the taxpayer. The County Treasurer remits taxes collected to the District by the 10th day of the month following collection.

Revenue Recognized in 2015

Local property taxes levied in 2015 and collected in 2016 are recognized as revenue in these financial statements as shown below:

	<u>Garfield County</u>				
	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Amount of Taxes Levied</u>	<u>Collected</u>	<u>Percent Collected</u>
General Fund	\$1,245,404,960	3.267	\$4,068,738	\$4,065,151	99.9%
	<u>Mesa County</u>				
	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Amount of Taxes Levied</u>	<u>Collected</u>	<u>Percent Collected</u>
General Fund	\$ 1,322,010	3.267	\$ 4,319	\$ 4,319	100.0%

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - PROPERTY TAXES, Continued

Property Taxes Receivable and Unearned Revenue

Local property taxes levied in 2016 but not collectible until 2017 are shown as property taxes receivable and unearned revenue on the balance sheet in the amount of the assessed taxes less estimated uncollectible amounts.

	<u>Garfield County</u>				
	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Estimated Percent Collectible</u>	<u>Property Taxes Receivable</u>	<u>Deferred Revenue</u>
General Fund	\$ 655,165,000	3.267	100.0%	\$2,140,424	\$ 2,140,424

	<u>Mesa County</u>				
	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Estimated Percent Collectible</u>	<u>Property Taxes Receivable</u>	<u>Deferred Revenue</u>
General Fund	\$ 545,670	3.267	100.0%	\$ 1,783	\$ 1,783

NOTE 4 - CAPITAL ASSETS

A. Governmental Activities

A summary of changes in capital assets during the year ended December 31, 2016 is as follows:

	<u>Balance 1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2016</u>
Capital assets not being depreciated:				
Land	\$ 811,287	\$ -	\$ -	\$ 811,287
Total assets not being depreciated	<u>811,287</u>	<u>-</u>	<u>-</u>	<u>811,287</u>
Capital assets being depreciated:				
Buildings	10,773,049	5,270	-	10,778,319
Equipment	5,679,129	112,817	(53,989)	5,737,957
Total assets being depreciated	<u>16,452,178</u>	<u>118,087</u>	<u>(53,988)</u>	<u>16,516,276</u>
Less accumulated depreciation:				
Buildings	(1,711,394)	(246,169)	-	(1,957,563)
Equipment	(2,705,562)	(417,337)	53,989	(3,068,910)
Total accumulated depreciation	<u>(4,416,956)</u>	<u>(663,506)</u>	<u>53,989</u>	<u>(5,026,473)</u>
Total assets being depreciated, net	<u>12,035,222</u>	<u>(545,419)</u>	<u>-</u>	<u>11,489,803</u>
Governmental activities capital assets, net	<u>\$ 12,846,509</u>	<u>\$ (545,419)</u>	<u>\$ -</u>	<u>\$ 12,301,090</u>

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - CAPITAL ASSETS

A. Governmental Activities

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
Administration	\$ 85,911
Firefighting & prevention	439,895
Medical services	<u>137,700</u>
Total depreciation expense – governmental activities	<u>\$ 663,506</u>

NOTE 5 – LEASES

Dry hydrants

The District has leased property from four homeowners in the District for the location of dry hydrants to increase firefighting capability. The District is not paying for the use of the property; in exchange the property owners will have increased fire protection. Three of the leases are for terms of 50 years each. One of the 50 year lease properties became District owned property with the Rulison land purchase/fire station construction project. The fourth lease is for 10 years. Two of the leases became effective during 1997, the others during 1999.

NOTE 6 – VOLUNTEER FIREFIGHTERS PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The District has established the Volunteer Firefighters' Pension Plan (Volunteer Plan) an agent multiple-employer defined benefit pension fund administered by the Colorado Fire and Police Pension Association (FPPA). The net pensions liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description. Any firefighter who has both attained the age of fifty and completed twenty years of active services shall be eligible for a monthly pension. Additionally, any firefighter that has reached the age of fifty with at least ten years of service will receive a pension benefit that is prorated for year of creditable volunteer service between 10 and 20 years. A firefighter who is disabled in the line of duty whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by the Pension Board. The Volunteer Plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter. Spouses of deceased firefighters may receive benefits as authorized by State statute. FPPA issues an annual, publicly-available financial report that includes the assets of the Volunteer Plan. That report may be obtained by at www.FPPAco.org/annual_reports.htm.

Funding Policy. An actuary is used to determine the annual required contribution (ARC) necessary to maintain the actuarial soundness of the Volunteer Plan. Colorado law requires the State to make an annual contribution to the Volunteer Plan. Because the District's monthly benefit amount is over \$300, the State's annual contribution is calculated as the highest State contribution made between 1998 and 2001. The District may make additional contributions to support the plan.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 – VOLUNTEER FIREFIGHTERS PENSION PLAN, Continued

General Information about the Pension Plan, continued

The actuarial study as of January 1, 2015, indicated that the current levels of contributions to the fund are adequate to support an actuarially sound basis the prospective benefits for the present Volunteer Plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the District reported an asset of \$1,814,817. The net pension asset was measured as of December 31, 2015, and was determined by an actuarial valuation as of January 1, 2015. Standard update procedures were used to roll forward the total pension asset to December 31, 2016.

For the year ended December 31, 2016, the District recognized pension income of \$96,023. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	-
Net difference between projected and actual earnings on pension plan investments	174,325	-
Contribution subsequent to the measurement date	-	-
Total	174,325	-

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year ended December 31:	
2017	44,674
2018	44,674
2019	44,673
2020	40,304

Actuarial Assumptions. Method, and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar, Open
Remaining Amortization Period:	20 years
Asset Valuation Method:	5-Year smoothed market
Inflation:	3.00%
Salary Increases:	N/A
Investment Rate of Return:	7.50%
Retirement Age:	50% per year of eligibility until 100% at age 65
Mortality:	Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment. Disabled: RP-2000 Disabled Mortality Table. All tables projected with Scale AA.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 – VOLUNTEER FIREFIGHTERS PENSION PLAN, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by addition expected inflation.

Best estimates of arithmetic real rates of return for each major assets class included in the Fund’s target asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.00%
Total	100.00%	

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board funding policy, which establishes the contractual required rates under Colorado statutes. Based on those assumptions, the Volunteer Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of the District’s Net Pension Asset to Changes in the Discount Rate. The following presents the net pension asset calculation using the discount rate of 7.50 percent as well as the net position asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Net Pension Asset	1,644,744	1,814,817	1,959,384

FPPA System Description. The FPPA administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only.

FPPA issues a publicly available comprehensive annual financial report that can be obtained at www.fppaco.org.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN - FPPA

Summary of Significant Accounting Policies

Pensions. The District contributes to the Statewide Defined Benefit Pension Plan (SWDB Plan), a cost-sharing multiple-employer defined benefit pension plan, which is administered by the Colorado Fire and Police Pension Association (FPPA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. Assets of the SWDB Plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund.

General Information about the Pension Plan

Plan Description. The SWDB Plan provides retirement benefits for members and beneficiaries according to plan provisions as enacted and governed by FPPA's Pension Fund Board of Trustees. Colorado Revised Statutes (CRS), as amended, establishes basic benefit provisions under the SWDB Plan. FPPA issues an annual, publicly-available financial report that includes the assets of the SWDB Plan. The report may be obtained on FPPA's website at www.fppaco.org.

Benefits Provided. A member is eligible for a normal retirement pension once the member has completed twenty-five year of credited service and has attained the age of 55.

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually.

Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the SWDB Plan. Benefits paid to retired members are evaluated and may re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement at age 50 or after 30 years of service. They early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the SWD Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions. The SWDB Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

The current contribution rate for members of the SWDB is 9% of base salary. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments re-entering the system are established by resolution and approve by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20 percent of base salary through 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2015 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN – FPPA, Continued

General Information about the Pension Plan, continued

The contribution rate for members and employers of affiliated social security employers is 8 percent of base salary for a total contribution rate of 16 percent.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the District reported an asset of \$4,096 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2015. Standard update procedures were used to roll forward the total pension asset to December 31, 2016. The District's proportion of the net pension asset was based on the District's contributions to the SWDB Plan for the calendar year 2015 relative to the total contributions of participating employers to the SWDB Plan.

At December 31, 2015, the District's proportion was 0.232359 percent, which was an decrease of 0.009272 percent from its proportion measurement as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension income of \$29,129. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	33,128	4,836
Changes of assumptions or other inputs	64,339	-
Net difference between projected and actual earnings on pension plan investments	208,474	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	3,997	-
Contribution subsequent to the measurement date	91,991	-
Total	401,929	4,836

\$91,991 is reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year December 31, 2017. Other amounts report as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year ended December 31:	
2017	63,430
2016	63,430
2019	58,261
2020	10,019
Thereafter	42,537

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN – FPPA, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Actuarial Assumptions. The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level % of Payroll, Open
Amortization Period:	30 Years
Asset Valuation Method:	5-Year smoothed fair value
Projected Salary Increases:	4.0% - 14.0%
Long-term Investment Rate of Return*:	7.50%
*Includes Inflation at:	3.00%
Cost of Living Adjustment (COLA):	0.0%

The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty rated mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table, with Blue Collar Adjustment, projected with Scale AA is used in the projected of post-retirement benefits.

At least every five years the FPPA’s Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2011 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumption. The recommendations were made by the FPPA’s actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future.

The assumption changes were effective for actuarial valuations beginning January 1, 2012. The actuarial assumptions impacted actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used. The date the new actuarial assumptions were effective for benefit purposes was October 1, 2012.

Effective with the January 1, 2013 valuations, the Board adopted a five-year smoothing methodology in the determination of the actuarial value of assets. Beginning in the January 1, 2014 valuations, the married assumption for active members was increased from 80 percent to 85 percent to reflect the passage of the Colorado Civil Union Act.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by addition expected inflation.

Best estimates of arithmetic real rates of return for each major assets class included in the Fund’s target asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%
Total	100.00%	

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN – FPPA, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board funding policy, which establishes the contractual required rates under Colorado statutes. Based on those assumptions, the SWDB Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Discount Rate. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plans' fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate, based on an index of 20-year general obligation bonds with an average AA credit rate as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is +97.50 percent; the municipal bond rate is 3.65 percent (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15); and the resulting Single Discount Rate is 7.50 percent.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability (asset) calculation using the discount rate of 7.50 percent as well as the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability (asset)	573,810	(4,096)	(483,449)

Pension Plan Fiduciary Net Position. Detailed information about the SWDB Plan's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at www.fppaco.org.

NOTE 8 – DEFINED CONTRIBUTION PLAN

Eligible employees of the District elected to withdraw from the Colorado Statewide Defined Benefit Plan, a defined benefit plan, administered by the Fire and Police Pension Association of Colorado (FPPA). The state legislation allowing the withdrawal states that the alternate pension plan must be a money purchase plan. The replacement plan is a 401(a) Money Purchase Plan (Money Purchase Plan) administered by the ICMA Retirement Corporation (ICMA). Each Participant has an individual account with ICMA into which all contributions flow. The participants are offered various investment options through the plan and are allowed to invest all moneys in their account at their own discretion among options. The District may amend, modify, or terminate the plan, upon approval of such amendment, modification or termination by 65% of the active participants, provided that no amendment or modification shall reduce the account balances of any participant accrued to the date of the change.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2016

NOTE 8 – DEFINED CONTRIBUTION PLAN, Continued

Employees covered by this plan are eligible to participate from the date of employment. The plan defines the District and participant contributions at 8% each. The District's contributions for each participant are fully vested after five years. District contributions for, and the interest forfeited by, employees who leave employment before five years of services are used to reduce the District obligation to contribute. The contribution to the plan for the years ended December 31, 2014 totaled \$66,966, which consisted of \$33,483 contributed by employees and \$33,483 contributed by the District. The contribution to the plan for the year ended December 31, 2015 totaled \$83,113, which consisted of \$41,557 contributed by employees and \$41,556 contributed by the District. The contribution to the Money Purchase Plan for the year ended December 31, 2016 totaled \$82,559, which consisted of \$41,280 contributed by employees and \$41,279 contributed by the District.

NOTE 9 – DEFERRED COMPENSATION PLAN

The District adopted a deferred compensation plan (457 Plan) as defined under the Internal Revenue Code Section 457. Participants may defer up to the lesser of \$17,500 or 100% of the participant's includable compensation. Participants over age 50 are eligible to contribute \$5,000 more than the \$17,500 limit due to a catch up provision in the plan. The 457 Plan allows District employees to make an elective deferral of a portion of their earned compensation to the 457 Plan. The 457 Plan is a multi-employer plan administered by Fire and Police Pension Association of Colorado (FPPA). The 457 Plan trustee may amend the 457 Plan. For the year ended December 31, 2016, participating employees contributed \$108,744.

NOTE 10 – STATEWIDE DEATH AND DISABILITY PLAN

Death and disability benefits are provided by the District under the Statewide Death and Disability Plan (SD&D Plan), which is administered by FPPA. SD&D benefits and obligations to contribute are established, any may be amended, by Colorado State statute. The SD&D Plan is a multi-employer, cost sharing plant that is primarily funded by the State of Colorado for firefighters hired prior to January 1, 1997. For firefighters hired after this date the District currently pays 2.6% of their payroll to the SD&D Plan. The percentage contribution amount varies depending on actuarial experience. The SD&D Plan solely provides death and disability payments to participants. In 2016, the District contributed \$43,797.

NOTE 11 - DEFINED BENEFIT PENSION PLAN - PERA

Summary of Significant Accounting Policies

Pensions. Grand Valley Fire Protection District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pensions liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the Grand Valley Fire Protection District are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLAN – PERA, Continued

General Information about the Pension Plan, Continued

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Local Governments (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLAN – PERA, Continued

General Information about the Pension Plan, continued

Contributions. Eligible employees and Grand Valley Fire Protection District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Grand Valley Fire Protection District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from Grand Valley Fire Protection District were \$9,847 for the year ended December 31, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Grand Valley Fire Protection District reported a liability of \$131,966 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Grand Valley Fire Protection District proportion of the net pension liability was based on Grand Valley Fire Protection District contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the Grand Valley Fire Protection District proportion was 0.011980 percent, which was an increase of 0.00025 percent from its proportion measured as of December 31, 2014.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLAN – PERA, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

For the year ended December 31, 2016, the Grand Valley Fire Protection District recognized pension expense of \$7,345. At December 31, 2016, the Grand Valley Fire Protection District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	-	1,990
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	26,394	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,014	-
Contributions subsequent to the measurement date	9,114	-
Total	37,522	1,990

\$9,114 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	5,560
2018	6,439
2019	6,715
2020	5,259
2021	-
Thereafter	-

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLAN – PERA, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLAN – PERA, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 - DEFINED BENEFIT PENSION PLAN – PERA, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Grand Valley Fire Protection District proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	202,323	131,966	73,618

Pension plan fiduciary net position. Detailed information about the LGDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 12 - POST EMPLOYMENT HEALTHCARE BENEFITS - PERA

Health Care Trust Fund

Plan Description - The Grand Valley Fire Protection District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (Known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2016

NOTE 12 - POST EMPLOYMENT HEALTHCARE BENEFITS – PERA, Continued

Funding Policy - The Grand Valley Fire Protection District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Grand Valley Fire Protection District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2014, 2015, and 2016, the District's contributions to the HCTF were \$680, \$694, and \$733, respectively, equal to their required contributions for each year.

NOTE 13 - CONTINGENCIES

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue. The amendment also requires that reserves be established for declared emergencies, with 3 percent of fiscal year spending required.

The District has no authorized but unissued debt subject to the amendment's limitations. Based on fiscal year spending for 2016, \$135,534 of the year-end fund balance in the General Fund will be reserved for emergencies.

In May, 1996, the registered voters of the Grand Valley Fire Protection District voted to allow the District to collect, retain and expend all revenues and other funds collected in 1996 and each subsequent year thereafter, for capital projects and other municipal services without limiting in any year the amount of the other revenues that may be collected and expended by the Grand Valley Fire Protection District in excess of the limits of Article X, Section 20 of the Colorado Constitution.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Claims made against the District and losses incurred by the District are covered by commercial insurance for all major areas. There have been no significant reductions in insurance coverage in the current year and settlement amounts, if any, have not exceeded insurance coverage for any of the three preceding years.

NOTE 15 – TRANSFERS

A transfer of \$200,000 was made from the General Fund to the Capital Projects Fund to build the funds available for future capital projects.

NOTE 16 – USE OF CAPITAL ASSETS

The District is allowed use of capital assets obtained through the LESO (military surplus program). These assets may be returned at any time by the program. The District insures the assets while they are being used by the District. The estimated original value to the District is \$297,596.

GRAND VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2016

NOTE 17 – COMMITTED FUND BALANCE

Beginning with the fiscal year 2010, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a governments' fund balances more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The board establishes (and modifies or rescinds) fund balance commitments as action items in board meetings. A fund balance commitment is further indicated in the budget document as a designation or commitment on the fund. Assigned fund balance is established by the board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

NOTE 18 – REPORTING FOR PENSIONS

Beginning in 2015, financial reporting information pertaining to the District's participation in Fire and Police Pension Association of Colorado (FPPA) and Public Employees' Retirement Association of Colorado (PERA) is prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date*.

NOTE 19 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 19, 2017, the date at which the financial statements were available to be issued, and determined that no events have occurred that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

GRAND VALLEY FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended December 31, 2016

	Budget		Actual Amounts
	Original	Final	
REVENUES			
Taxes	\$ 4,249,074	\$ 4,249,074	\$ 4,280,308
Interest	3,000	3,000	6,001
User charges	150,000	150,000	221,455
Other	-	-	10,034
	<u>4,402,074</u>	<u>4,402,074</u>	<u>4,517,798</u>
TOTAL REVENUES			
	<u>4,402,074</u>	<u>4,402,074</u>	<u>4,517,798</u>
EXPENDITURES			
Administration	3,097,000	3,097,000	2,866,253
Firefighting	26,700	26,700	55,945
Fire prevention	13,500	13,500	17,719
Training	80,000	80,000	63,047
Communications	5,500	5,500	1,961
Repair	83,000	83,000	115,146
Medical services	58,600	58,600	86,382
Stations, buildings and grounds	119,000	119,000	95,717
Capital outlay	512,500	512,500	74,410
	<u>3,995,800</u>	<u>3,995,800</u>	<u>3,376,580</u>
TOTAL EXPENDITURES			
	<u>3,995,800</u>	<u>3,995,800</u>	<u>3,376,580</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	406,274	406,274	1,141,218
OTHER FINANCING SOURCES (USES)			
Transfers out	(200,000)	(200,000)	(200,000)
	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	206,274	206,274	941,218
FUND BALANCE, BEGINNING OF YEAR	<u>4,983,456</u>	<u>4,983,456</u>	<u>5,128,813</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,189,730</u>	<u>\$ 5,189,730</u>	<u>\$ 6,070,031</u>

<u>Variance from final budget</u>	
\$	31,234
	3,001
	71,455
	<u>10,034</u>
	<u>115,724</u>
	230,747
	(29,245)
	(4,219)
	16,953
	3,539
	(32,146)
	(27,782)
	23,283
	<u>438,090</u>
	<u>619,220</u>
	734,944
	<u>-</u>
	734,944
	<u>145,357</u>
\$	<u><u>880,301</u></u>

See the accompanying independent auditors' report

GRAND VALLEY FIRE PROTECTION DISTRICT

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2016

	Budget		Actual Amounts
	Original	Final	
REVENUES			
Interest	\$ -	\$ -	\$ 118
Grants	100,000	100,000	92,367
Other	-	-	8,313
TOTAL REVENUES	<u>100,000</u>	<u>100,000</u>	<u>100,798</u>
EXPENDITURES			
Administration	10,000	10,000	1,644
Capital outlay	115,831	115,831	43,677
TOTAL EXPENDITURES	<u>125,831</u>	<u>125,831</u>	<u>45,321</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(25,831)	(25,831)	55,477
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	11,546
Transfers in	200,000	200,000	200,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>200,000</u>	<u>200,000</u>	<u>211,546</u>
EXCESS OF REVENUES OVER EXPEND- ITURES AND OTHER FINANCING USES	174,169	174,169	267,023
FUND BALANCE, BEGINNING OF YEAR	<u>190,443</u>	<u>190,443</u>	<u>203,528</u>
FUND BALANCE, END OF YEAR	<u>\$ 364,612</u>	<u>\$ 364,612</u>	<u>\$ 470,551</u>

<u>Variance from final budget</u>	
\$	118
	(7,633)
	<u>8,313</u>
	<u>798</u>
	8,356
	<u>72,154</u>
	<u>80,510</u>
	81,308
	11,546
	<u>-</u>
	<u>11,546</u>
	92,854
	<u>(13,085)</u>
\$	<u><u>79,769</u></u>

See the accompanying independent auditors' report

GRAND VALLEY FIRE PROTECTION DISTRICT

**SCHEDULE OF CONTRIBUTIONS
Volunteer Firefighters' Pension Plan
Last 10 Fiscal Years**

<u>FY Ending December 31</u>	<u>Actuarially Determined Contributions</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contributions as a % of Covered Payroll</u>
2013	\$ -	\$ 77,905	\$ (77,905)	N/A	N/A
2014	-	55,571	(55,571)	N/A	N/A
2015	-	10,380	(10,380)	N/A	N/A
2016	-	-	-	N/A	N/A

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

* Includes both employer and State of Colorado Supplemental Discretionary Payment.

See the accompanying independent auditors' report

GRAND VALLEY FIRE PROTECTION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
 Volunteer Firefighters' Pension Plan
 Last 10 Fiscal Years

Measurement period ending December 31,	2014	2015
Total Pension Liability		
Service Cost	\$ 8,068	\$ 10,604
Interest on the Total Pension Liability	121,446	126,141
Benefit Changes	94,451	-
Difference between Expected and Actual Expenditures	(15,741)	-
Assumption Changes	-	-
Benefit Payments	<u>(141,434)</u>	<u>(152,516)</u>
Net Change in Total Pension Liability	66,790	(15,771)
Total Pension Liability - Beginning	<u>1,684,763</u>	<u>1,751,553</u>
Total Pension Liability - Ending (a)	<u><u>\$ 1,751,553</u></u>	<u><u>\$ 1,735,782</u></u>
Plan Fiduciary Net Position		
Employer Contributions	\$ 45,191	\$ -
Pension Plan Net Investment Income	236,521	65,562
Benefit Payments	(141,434)	(152,516)
Pension Plan Administrative Expense	(5,795)	(7,484)
State of Colorado supplemental discretionary payment	<u>10,380</u>	<u>10,380</u>
Net Change in Plan Fiduciary Net Position	144,863	(84,058)
Plan Fiduciary Net Position - Beginning	<u>3,489,794</u>	<u>3,634,657</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 3,634,657</u></u>	<u><u>\$ 3,550,599</u></u>
Net Pension Liability (Asset) - Ending (a)-(b)	(1,883,104)	(1,814,817)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	207.51%	204.55%
Covered Employee Payroll	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A

See the accompanying independent auditors' report

GRAND VALLEY FIRE PROTECTION DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATEWIDE FPPA PENSION PLAN
Last 10 Fiscal Years

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as Percentage of Total Pension Liability
12/31/2014	0.233%	\$ (208,168)	\$ 1,011,150	-21%	105.8%
12/31/2015	0.242%	(272,699)	1,086,618	-25%	106.8%
12/31/2016	0.232%	(4,096)	1,131,930	0%	100.1%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

* The data provided in the schedule is based as of the measurement date of FPPA's net pension liability, which is as of the calendar year end that occurred before the District's fiscal year end.

See the accompanying independent auditors' report

GRAND VALLEY FIRE PROTECTION DISTRICT

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
STATEWIDE FPPA PENSION PLAN
Last 10 Fiscal Years**

<u>FY Ending December 31</u>	<u>Statutorily Required Contributions</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2013	\$ 80,892	\$ 80,892	\$ -	\$1,011,150	8.00%
2014	86,930	86,930	-	1,086,618	8.00%
2015	90,554	90,554	-	1,131,930	8.00%
2016	91,991	91,991	-	1,149,893	8.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See the accompanying independent auditors' report

GRAND VALLEY FIRE PROTECTION DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA PENSION PLAN
Last 10 Fiscal Years

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as Percentage of Total Pension Liability
12/31/2014	0.011%	\$ 94,447	\$ 61,231	154%	81.8%
12/31/2015	0.012%	105,112	64,260	164%	80.7%
12/31/2016	0.012%	131,965	68,035	194%	76.9%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

* The data provided in the schedule is based as of the measurement date of PERA's net pension liability, which is as of the calendar year end that occurred before the District's fiscal year end.

See the accompanying independent auditors' report

GRAND VALLEY FIRE PROTECTION DISTRICT

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PERA PENSION PLAN
Last 10 Fiscal Years**

<u>FY Ending December 31</u>	<u>Statutorily Required Contributions</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2013	\$ 7,764	\$ 7,764	\$ -	\$ 61,231	12.68%
2014	8,148	8,148	-	64,260	12.68%
2015	8,627	8,627	-	68,035	12.68%
2016	9,114	9,114	-	71,874	12.68%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See the accompanying independent auditors' report

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SUPPLEMENTARY INFORMATION

GRAND VALLEY FIRE PROTECTION DISTRICT

SCHEDULE OF GENERAL FUND OPERATING EXPENDITURES
For the Years Ended December 31, 2016 and 2015

	December 31, 2016		December 31, 2015	
	Amount	Percent	Amount	Percent
Administration				
Accounting and auditing	\$ 5,800	0.1%	\$ 5,800	0.3%
Advertising	-	0.0%	19	0.0%
Banquet	4,251	0.1%	4,303	0.2%
Board member compensation	7,300	0.3%	6,300	0.2%
Books/periodicals/videos	859	0.0%	537	0.0%
Computer upgrade	-	0.0%	500	0.0%
Copier lease	7,444	0.3%	6,162	0.2%
Credit card service fees	754	0.0%	694	0.0%
Dues and other	40,048	1.4%	27,193	1.0%
Election expenses	94	0.0%	-	0.0%
Health insurance	334,195	11.7%	304,681	11.1%
Insurance	155,811	5.4%	148,785	5.4%
Legal	22,923	0.8%	14,059	0.5%
Materials and supplies	19,416	0.7%	15,327	0.6%
Office equipment	329	0.0%	-	0.0%
Payroll fees	1,070	0.0%	900	0.0%
Payroll taxes	34,818	1.2%	35,030	1.3%
Printing and binding	1,464	0.1%	1,731	0.1%
Retirement contributions	186,920	6.5%	192,574	7.0%
Salaries - Regular Employees	1,235,791	43.1%	1,244,027	45.1%
Salaries - Reimburse Program	366,354	12.8%	381,670	13.8%
Salaries - Overtime	271,037	9.5%	232,031	8.4%
Software maintenance	16,858	0.6%	17,246	0.6%
Treasurer's fees	81,812	2.9%	74,069	2.7%
Utilities	20,618	0.7%	17,790	0.6%
Physical Exams	50,287	1.8%	25,096	0.9%
Total Administration	2,866,253	100.0%	2,756,524	100.0%
Firefighting				
Tech service	2,754	4.9%	3,459	5.8%
Repair/maintenance	4,611	8.2%	5,107	8.6%
Rental of vehicle	200	0.4%	200	0.3%
Supplies	18,749	33.5%	10,773	18.1%
Other	29,631	53.0%	40,034	67.2%
Total Firefighting	55,945	100.0%	59,573	100.0%
Fire prevention				
Supplies	16,664	94.0%	19,521	89.0%
Other	1,055	6.0%	2,420	11.0%
Total Fire prevention	17,719	100.0%	21,941	100.0%

GRAND VALLEY FIRE PROTECTION DISTRICT

SCHEDULE OF GENERAL FUND OPERATING EXPENDITURES, Continued
For the Years Ended December 31, 2016 and 2015

	December 31, 2016		December 31, 2015	
	Amount	Percent	Amount	Percent
Training				
Part time fire members	\$ 7,359	11.7%	\$ 6,152	7.0%
Part time EMS members	4,295	6.8%	2,750	3.1%
Supplies	8,874	14.1%	9,016	10.2%
Full time members	37,520	59.5%	63,142	71.7%
Other	4,999	7.9%	7,027	8.0%
Total Training	63,047	100.0%	88,087	100.0%
Communications				
Repair/maintenance	1,511	77.1%	3,121	74.2%
Supplies	450	0.7%	1,084	25.8%
Total Communications	1,961	100.0%	4,205	100.0%
Repair				
Labor	39,470	34.3%	34,492	28.1%
Supplies	10,945	9.5%	22,239	18.1%
Fuel	21,187	18.4%	27,841	22.7%
Other	43,544	37.8%	38,160	31.1%
Total Repair	115,146	100.0%	122,732	100.0%
Medical services				
Physican advisor	3,600	4.2%	3,600	5.7%
Annual monitor	5,031	5.8%	5,031	7.9%
Supplies	20,327	23.5%	21,396	33.6%
Bad debt	56,298	65.2%	32,487	51.0%
Other	1,126	1.3%	1,171	1.8%
Total Medical services	86,382	100.0%	63,685	100.0%
Stations, buildings and grounds				
Utilities	42,790	49.5%	40,010	17.6%
Custodial	6,087	7.0%	6,423	2.8%
Repair/maintenance	33,087	38.3%	158,772	69.9%
Supplies	11,969	13.9%	14,342	6.3%
Other	1,784	2.1%	7,741	3.4%
Total Stations, buildings and grounds	95,717	100.0%	227,288	100.0%
Total Operating expenditures	\$ 3,302,170		\$ 3,344,035	

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